

SCHEDULE

PART I - SUPPLIES AND SERVICES TO BE FURNISHED

A. The Contractor shall provide the supplies and services set forth in the attached Appendix I, such Appendix I being a part of the Schedule under this contract.

B. Notwithstanding the description above of the supplies and services to be furnished under this contract, the Government may, within the general scope of this contract, at its discretion, revise such services, delete services, or require additional collateral or related supplies and services during the period of this contract. In such event, the Contracting Officer will issue a Change Order directing the required changes, in accordance with the clause of this contract entitled, "CHANGES."

PART II - CONSIDERATION AND PAYMENT

A. In accordance with the clause of this contract entitled "PAYMENTS," and subject to redetermination of the price in accordance with the part of this Schedule entitled "PRICE REDETERMINATION," the Government shall pay the Contractor upon satisfactory performance of this contract, as full payment for the services to be supplied by the Contractor hereunder, the amount of \$124,000, which amount is the total price set forth in Appendix I, hereto.

B. As of the date of execution of this contract, there has been allotted for this contract the amount set forth above. This amount is subject to increase or decrease, in accordance with the part of this Schedule entitled, "PRICE REDETERMINATION." In addition, the Government may increase this amount from time to time solely at its discretion, such increased amount to be subject at the proper time to the redetermination provisions of the part of this Schedule entitled, "PRICE REDETERMINATION." If at any time the Contractor has reason to believe that by reason of performance by it, of this contract, the amount due it will exceed the sum allotted to this contract, it shall notify the Contracting Officer to that effect. Notwithstanding any other provision of this contract, the Contractor shall not be obligated to furnish any services pursuant to this contract, if in the best judgment of the Contractor, the cost of such services will exceed the amount allotted to this contract. The Government shall not be obligated to pay the Contractor under this contract any amount in excess of the sum allotted.

SECRET

SECRET

PART III - DELIVERY SCHEDULES AND ANTICIPATORY COSTS

A. Delivery schedules shall be in accordance with the delivery schedules set forth in Appendix I, hereto.

B. All costs, which have been incurred by the Contractor on and after 5 October 1955 in anticipation of this contract and prior to its signing, and which if incurred after signing would have been considered as allowable items of cost for this project, shall be considered as allowable items of costs hereunder.

PART IV - PRICE REDETERMINATION

A. Because of the nature of the work called for by this contract and the great uncertainty as to the cost of performance hereunder, the parties agree that the contract price set forth in Appendix I hereof may be increased or decreased in accordance with the provisions of this clause.

B. Within 30 days after the completion or termination of this contract, the Contractor will file with the Contracting Officer a statement showing, in such form and detail as the Contracting Officer may prescribe, the Contractor's cost of producing the supplies or furnishing the services called for hereunder, together with such other information as may be pertinent in the negotiations for a redetermined price pursuant to this clause. Such statement of cost shall fairly reflect the normal operation of the Contractor's cost system. The Contracting Officer shall have the right at all reasonable times to make or cause to be made such examinations and audits of the Contractor's books, records and accounts as he may request.

C. Upon the filing of the statement and other pertinent information required by paragraph B of this clause, the Contractor and the Contracting Officer will promptly negotiate in good faith to agree upon a reasonable redetermined price for the entire contract which, upon the basis of such statement and other pertinent information, will constitute fair and just compensation to the Contractor for the performance of this contract. In determining the extent of any estimated allowance for profit to be taken into account in fixing such redetermined price, consideration will be given to the extent to which the Contractor has performed the contract with efficiency, economy, and ingenuity. The redetermined price shall be evidenced by a supplemental agreement to this contract.

SECRET

D. If within 60 days after the completion or termination of this contract, the parties shall fail to agree upon a redetermined price (which term, for the purpose of this clause, shall include direct costs, indirect costs and profit) in accordance with the provisions of this clause, the failure to agree shall be a dispute concerning a question of fact within the meaning of the clause of this contract entitled "DISPUTE."

E. In the event of a price increase the Government will pay or credit to the Contractor the amount by which the redetermined price shall exceed the contract price aforesaid. In the event of a decrease in price the Contractor will repay or credit the amount of such decrease to the Government in such manner as the Contracting Officer may direct.

F. For any of the purposes of the clause of this contract entitled "Termination for Convenience of the Government" (including without limitation computation of "the total contract price" and "the contract price of work not terminated"), the contract price shall be the redetermined contract price agreed upon under paragraph C of this clause or determined under paragraph D of this clause as the case may be.

PART V - PROGRESS PAYMENTS

A. Progress payments, which are hereby defined as payments prior to acceptance, on contract work in progress for the Government under this contract, may be made upon the following terms and conditions.

B. The Contracting Officer may, from time to time, authorize progress payment to the Contractor upon property acquired or produced and services performed by it for the performance of this contract: PROVIDED, That such progress payment shall not exceed the cost to the Contractor of the property and services upon which payment is made, which costs shall be determined from evidence submitted by the Contractor and which must be such as is satisfactory to the Contracting Officer; and PROVIDED FURTHER, That in no event shall the total of unliquidated progress payments (see E below) and of unliquidated advance payments, if any, made under this contract, exceed 90 percent of the total contract price of supplies or services still to be delivered.

SECRET

C. Upon the making of any progress payments under this contract, title to all parts, materials, inventories, work in progress, and nondurable tools theretofore acquired or produced by the Contractor for the performance of this contract and properly chargeable thereto under sound accounting practice shall vest in the Government; PROVIDED, That nothing herein shall deprive the Contractor of any further progress or final payments due or to become due hereunder; or relieve the Contractor or the Government of any of their respective rights or obligations under this contract.

D. The Contractor represents and warrants that the property upon which any progress payment is made hereunder, shall be cleared of all liens and incumbrances of any kind whatsoever upon receipt of any progress payment.

E. In making payment for the supplies furnished hereunder there shall be deducted from the contract price therefor a proportionate amount of the progress payments theretofore made to the Contractor, under the authority herein contained.

F. It is recognized that property (including, without limitation, completed supplies, spare parts, drawings, information, partially completed supplies, work in progress, materials, fabricated parts and other things called for herein) title to which is or may hereafter become vested in the Government pursuant to this clause will from time to time be used by or put in the care, custody or possession of the Contractor in connection with the performance of this contract. The Contractor, either before or after receipt of Notice of Termination at the option of the Government, may acquire or dispose of property to which title is vested in the Government under this clause, upon terms approved by the Contracting Officer; PROVIDED, That after receipt of Notice of Termination, any such property that is a part of termination inventory may be acquired or disposed of only in accordance with the provisions of the termination clause of this contract and applicable laws and regulations. The agreed price (in case of acquisition by the Contractor) or the proceeds received by the Contractor (in case of other disposition), shall, to the extent that such price and proceeds do not exceed the unliquidated balance of progress payments hereunder, be paid or credited to the Government as the Contracting Officer shall direct; and such unliquidated balance shall be reduced accordingly. Current production scrap may be sold by the Contractor without approval of the Contracting Officer but the proceeds will be applied as provided in this paragraph F, provided that any such scrap which is a part of termination inventory may be sold only in accordance with the provisions of the termination clause of this contract and applicable laws

SECRET

SECRET

and regulations. Upon liquidation of all progress payments hereunder or upon completion of deliveries called for by this contract, title to all property (or the proceeds thereof) which has not been delivered to and accepted by the Government under this contract or which has not been incorporated in supplies delivered to and accepted by the Government under this contract and to which title has been vested in the Government under this clause shall vest in the Contractor.

G. The provisions of this contract referring to "Liability for Government-Furnished Property" and any other provisions of this contract defining liability for Government-furnished property shall be inapplicable to property to which the Government shall have acquired title solely by virtue of the provisions of this clause. The provisions of this clause shall not relieve the Contractor from risk of loss or destruction or damage to property to which title vests in the Government under the provisions hereof.

H. If this contract (as heretofore or hereafter supplemented or amended) contains provisions for advance payments, and in addition if at the time any progress payment is to be made to the Contractor under the provisions of this progress payments clause any unliquidated balance of advance payments is outstanding, then notwithstanding any other provisions of the Advance Payments clause of this contract the net amount, after appropriate deduction for liquidation of the advance payment, of such progress payment shall be deposited in the special bank account or accounts maintained as required by the provisions of the Advance Payments clause, and shall thereafter be withdrawn only pursuant to such provisions.

PART VI- INSPECTION OF SUPPLIES AND CORRECTION OF DEFECTS

A. All supplies (which term throughout this clause includes without limitation raw materials, components, intermediate assemblies, and end products) shall be subject to inspection and test by the Contracting Officer, to the extent practicable at all times and places including the period of manufacture, and in any event prior to final acceptance. The Contractor shall provide and maintain an inspection system acceptable to the Contracting Officer covering the supplies, fabricating methods, and special tooling hereunder. The Contracting Officer may inspect the plant or plants of the Contractor or of any of its subcontractors engaged in the performance of this contract. If any inspection or test is made by the Contracting Officer on the premises of the Contractor or a subcontractor, the Contractor shall provide and shall require subcontractors to provide all reasonable

SECRET

SECRET

facilities and assistance for the safety and convenience of the Contracting Officer in the performance of his duties. All inspection and tests by the Contracting Officer shall be performed in such a manner as will not unduly delay the work. Except as otherwise provided in this contract, final acceptance of any supplies or lots of supplies shall be made as promptly as practicable after delivery thereof and shall be deemed to have been made no later than sixty (60) days after the date of such delivery, if final acceptance has not been made earlier within such period.

B. At any time during performance of this contract, but not later than six (6) months after final acceptance of supplies or lots of supplies, the Contracting Officer may require the Contractor to remedy by correction or replacement, any supplies or lots of supplies which at the time of delivery thereof are defective in material or workmanship or otherwise not in conformity with the requirements of this contract. The cost of any such correction or replacement shall be included in the determination of price for the period during which such correction or replacement is accomplished. Should a correction or replacement occur subsequent to the determination of the price for the last period of performance hereunder, such price will be subject to redetermination to incorporate the costs of such correction or replacement. If the Contractor fails to proceed with reasonable promptness to correct or replace such supplies or lots of supplies, the Contracting Officer may terminate this contract as provided in the clause of this contract entitled "Termination for Convenience of the Government."

C. Corrected supplies or replaced supplies shall be subject to the provisions of this clause in the same manner and to the same extent as supplies originally delivered under this contract.

D. Except as provided in this clause and as may be provided in the Schedule, the Contractor shall have no obligation or liability to correct or replace supplies or lots of supplies which at the time of delivery are defective in material or workmanship or otherwise not in conformity with the requirements of this contract.

E. Except as otherwise provided in the Schedule, the Contractor's obligation to correct or replace Government-furnished property (which is property in the possession of or acquired directly by the Government and delivered or otherwise made available to the Contractor) shall be governed by the provisions of the clause of this contract entitled "Government-Furnished Property."

SECRET

SECRET

PART VII - FURNISHING OF MATERIALS OR SUPPLIES AT THE GOVERNMENT'S OPTION

The Government may at its option, from time to time furnish the Contractor with materials or supplies not obtainable in the open market and which are required by the Contractor for the performance of this contract. In such event, an equitable reduction in the contract price shall be made prior to the delivery of such materials or supplies to the Contractor, or as soon thereafter as possible, but in no event later than thirty (30) days after such delivery.

PART VIII - WAIVER OF REQUIREMENTS OF GENERAL PROVISIONS

Notwithstanding the requirements of any of the General Provisions of this contract to the contrary, whenever the Contractor, in performance of the work under this contract, shall find that the requirements of any of the clauses of the General Provisions are in conflict with security instructions issued to the Contractor by the Contracting Officer or by his duly authorized representative for security matters, the Contractor shall call the attention of the Contracting Officer to such conflict and the Contracting Officer or his duly authorized representative for security matters shall (i) modify or rescind such security requirements or (ii) the Contracting Officer shall issue to the Contractor a waiver of compliance with the requirements of the General Provisions conflicting with such security requirements. Any waiver of compliance with the General Provisions of this contract issued by the Contracting Officer shall be in writing, except that the approval by the Contracting Officer of any subcontract issued hereunder by the Contractor shall be deemed to constitute approval of waiver of any clauses of the General Provisions in conflict with the stipulations of such subcontract.

PART IX - SPECIAL SECURITY RESTRICTIONS

The Contractor shall not reveal (i) the specific nature or any details of the work being performed hereunder or (ii) any information whatsoever with respect to the department of the Government sponsoring this contract and the work thereunder except as the Contractor is directed or permitted to reveal such information by the Contracting Officer or by his duly authorized representative for security matters, and notwithstanding any clause or section of this contract to the contrary. The Contractor shall not interpret any clause or section of this contract as requiring or permitting divulgence of such information to any person, public or private, or to any officer or department

SECRET

SECRET

of the Government without the express consent of the Contracting Officer or his duly authorized representative for security matters.

PART X - LETTER CONTRACT SUPERSEDED

This is the Definitive Contract contemplated by the Letter Contract accepted by the Contractor under date of 17 October 1955 and Amendments Nos. 1, 2 and 3, thereto, accepted by the Contractor under the respective dates of 30 November 1955, 23 December 1955 and 4 January 1956. This Definitive Contract supersedes said Letter Contract and Amendments thereto. Work performed and payments made under said Letter Contract, as amended, shall be deemed to be work performed and payments made under this Definitive Contract. The date of the Letter Contract shall govern for the determination of the priority status of this Definitive Contract. In the event of conflict between this Definitive Contract and said Letter Contract, as amended, this Definitive Contract shall prevail.

PART XI - INSPECTION AND AUDIT

A. The Contractor agrees that its books and records and its plants, or such part thereof as may be engaged in the performance of this contract shall at all reasonable times be subject to inspection and audit when and to the extent authorized by the Contracting Officer.

B. The Contractor agrees to include in each of his subcontracts hereunder which is on a cost or cost-plus-a-fixed-fee or a price re-determination basis, or on a time-and-material or labor-hour basis, provision for audit of such subcontract by the Contractor. The Contractor shall conduct an audit of any such subcontract when requested to do so by the Contracting Officer.

PART XII - SPECIAL CONSIDERATIONS

A. Overheads -- Allowable costs for performing work and services under this contract shall include amounts for overhead, indirect charges, and other elements of cost excluded from or not covered by direct costs, computed at the following fixed rates:

Overhead at 85.8% of Direct Labor dollars. —
General and Administrative Expense at 11.4% —
of all costs, exclusive of General and
Administrative Expense.

Navy Rate
10-1-54 to 9/30/56
84.7
10.9

(x1)
SECRET

SECRET

B. Overtime -- The premium portion of overtime work shall be a direct charge to this contract, not subject to the application of overhead but subject to General and Administrative Expense. The straight time portion of overtime shall be treated the same as other Direct Labor.

C. Payment of Invoices -- The Government shall pay the Contractor's invoices received under this contract within 10 days after receipt of such invoices.

D. Travel -- Necessary travel in connection with this contract shall be considered as a direct cost to this contract.

PART XIII - INSPECTION AND ACCEPTANCE

Inspection and acceptance of the items contracted for under this contract shall be made by the Government at the Contractor's plant, Cambridge, Massachusetts, with respect to any items fabricated and/or assembled and packed as individual or integral units at the Contractor's plant. With respect to items fabricated and/or assembled and packed as individual or integral units at subcontractors' plants, the point of inspection and acceptance shall be at the plant of such subcontractor.

PART XIV - PACKING OF ITEMS DELIVERED

The items delivered under this contract shall be packed for domestic shipment in accordance with standard commercial practices, except as otherwise specified in Appendix I hereto.

PART XV - REPORTS

The Contractor shall keep the Government informed of progress being made in the performance of this contract. The Contractor shall submit a final report of all work performed hereunder. Acceptance by the Government of such final report shall constitute acceptance of the work hereunder and shall entitle the Contractor to final payment hereunder.

(xii)

SECRET

SECRET

PART XVI - SUBCONTRACTS FOR WORK OR SERVICES

A. No contract shall be made by the Contractor with any other party for furnishing any of the completed or substantially completed articles, spare parts or work, herein contracted for, without the written approval of the Contracting Officer as to sources.

B. The Contractor shall give specific advance notification to the Contracting Officer of any proposed subcontract hereunder which (1) is on a cost or cost-plus-a-fixed-fee basis, or (2) is on a fixed-price basis exceeding in dollar amount either \$25,000 or five percent (5%) of the total amount of this contract.

C. The Contractor shall not, without the prior written consent of the Contracting Officer, place any subcontract which (1) is on a cost or cost-plus-a-fixed-fee basis, or (2) is on a fixed-price basis exceeding in dollar amount either \$25,000 or five percent (5%) of the total amount of this contract, or (3) provides for the fabrication, purchase, rental, installation or other acquisition, of any item of industrial facilities, or of special tooling having a value in excess of \$1,000, or (4) is on a time-and-material or labor-hour basis. The Contracting Officer may, in his discretion, ratify in writing any such subcontract; such action shall constitute the consent of the Contracting Officer as required by this paragraph C.

D. The Contractor agrees that no subcontract placed under this contract shall provide for payment on a cost-plus-a-percentage-of-cost basis.

E. The Contracting Officer may, in his discretion, specifically approve in writing any of the provisions of a subcontract. However, such approval or the consent of the Contracting Officer obtained as required by this clause shall not be construed to constitute a determination of the acceptability of the subcontract price, unless such approval specifically provides that it constitutes a determination of the acceptability of the subcontract price.

F. The Contracting Officer may approve all or any part of the Contractor's purchasing system and from time to time rescind or reinstate such approval. Such approval shall be deemed to fulfill the requirements for obtaining the Contracting Officer's consent to subcontracts as prescribed in paragraph C above.

(xiii)

SECRET